

Illinois Insurance

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In this issue:

J. Anthony Clark appointed Director of Insurance	1
Illinois issues company bulletin on terrorism exclusions in commercial lines policies (CB 2003-02)	2
Producer licenses to remain effective for military personnel	3
Flood insurance and FAIR Plan seminars scheduled	3
Producer regulatory action	4
Hearings	5
Company action	5
Exam reports filed	6

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Director of Insurance J. Anthony Clark
Asst. Director
Editor Rob Havens
Graphics Shelley McQuern



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J. Anthony Clark appointed Director of Insurance

The January 13th inauguration of Governor Rod R. Blagojevich marked the beginning of a new administration ready to lead Illinois into the future. Among the new leaders in Illinois is **J. Anthony (Tony) Clark**. On February 28th Governor Blagojevich named Clark as the new Director of the Illinois Department of Insurance. The Senate confirmed Director Clark on April 10, 2003.

An attorney with 18 years of legal experience, Director Clark is a recognized authority on state insurance law regulations. Prior to establishing his own private practice, he served as counsel for Montgomery Ward Life Insurance for 10 years.

"Part of my effort to reform our state government is to bring in accomplished professionals from the private sector who have expertise and experience to make our system work better," the governor said. "Mr. Clark's background in insurance law and his extensive civic involvement will be a tremendous asset to state government in general, and the Department of Insurance in particular."

A current member of the board of directors of the Cook County Bar Association, Mr. Clark previously served on the

board of the Center for Conflict Resolution and was president of the board for the Society of Samaritans, a suicide prevention agency. He was awarded a distinguished service award for his service with the Chicago Volunteer Legal Services and earned the Cook County Bar Association's Presidential award.



J. Anthony Clark

Director Clark graduated cum laude with a degree in journalism from Hampton Institute, located in Virginia. After working as a reporter for the Evanston Review and Time magazine, Clark earned a law degree from the University of Chicago and a master's degree in labor relations from Cornell University. ♦

Illinois issues company bulletin on terrorism exclusions in commercial lines policies (CB 2003-02)

On March 14, 2003, the Department released Company Bulletin 2003-02 entitled *Federal Terrorism Risk Insurance Act of 2002 (TRIA) and Filing Procedures and Requirements for Commercial Lines Rates and Forms*. The bulletin became effective immediately upon release. CB 2003-02 stipulates that the preemption of prior approval requirements imposed by TRIA will expire on December 31, 2003. The remainder of the bulletin will expire on December 31, 2005, unless Congress extends the duration of TRIA. To view the complete text of the bulletin, visit the Department's website at **www.ins.state.il.us/cb/cb0302.htm**.

CB 2003-02 explains that TRIA does not change state laws regarding which insurers must file forms with the Director. The Illinois Insurance Code requires all companies writing lines of insurance found in Class 2 (except accident and health), and Class 3 of Section 4 of the Illinois Insurance Code to file policy forms, endorsements, etc., except for the following: forms issued by surplus lines companies, risk retention groups, syndicates, licensed captives, or farm mutuals, surety contracts or fidelity bonds, forms issued to "industrial insureds" as defined in Section 121-2.08 (except for Workers' Compensation policies), and manuscript forms issued to individual risks.

The Department adopted the National Association of Insur-

ance Commissioners (NAIC) model bulletin term "certified losses" to refer to "insured losses" under TRIA, and the term "non-certified losses" to refer to all terrorism losses not subject to TRIA. Also, CB 2003-02 requires that all terrorism exclusions or limitations must include an exception for fire following a terrorism loss. This provision does not apply to exclusions or limitations for certified losses that exceed the \$100 billion TRIA cap. To ensure that the form language is clear and unambiguous to the policyholder, the standard fire policy exception language must be included on the terrorism coverage exclusion or limitation form. Insureds may not waive this statutorily mandated coverage.

The Department will not accept forms that exclude coverage for acts of terrorism that fail to be certified losses solely because the losses fall below the \$5,000,000 threshold stated in Section 102(1)(B) of TRIA.

The bulletin also addresses additional requirements for terrorism forms pertaining to non-certified losses. Any previously filed and accepted terrorism exclusions are still valid in Illinois with respect to terrorism risks not covered by or preempted by TRIA. However, insurers must file, as soon as reasonably practicable, revised terrorism forms to clearly distinguish between coverage for certified losses and non-certified losses, and must apply the new forms at the earliest possible renewal.

Property insurance coverage exclusions for acts of terrorism for non-certified losses apply only if the acts of terrorism result in industry-wide insured losses that exceed \$25,000,000 in property damage for related incidents that occur within a 72-hour period.

For policies providing liability insurance coverage, the following limitations continue to apply: exclusions for acts of terrorism for non-certified losses apply only if the acts of terrorism result in industry-wide insured losses that exceed \$25,000,000 in property damage for related incidents that occur within a 72-hour period; or fifty (50) or more persons sustain death or serious physical injury. For purposes of this provision, serious physical injury means:

- physical injury that involves a substantial risk of death;
- protracted and obvious physical disfigurement; or
- protracted loss of or impairment of the function of a bodily member or organ.

Exclusions for acts of terrorism for non-certified losses are not subject to any of the previous limitations if:

- the act involves the use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination;

- the act is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
- pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

CB 2003-02 stipulates that in order to receive an expedited review, filings must be complete and comply with all Illinois filing regulations. The Department will expedite review of terrorism filings for certified losses by placing these filings ahead of all other filings. For terrorism filings for non-certified losses, the Department will expedite the filings as allowed by existing Department resources.

For questions on forms filing, please contact Dee Caruso, P&C Compliance Unit, 217/782-1790, or e-mail her at dee_caruso@ins.state.il.us.

For questions about policy renewal, cancellation, or nonrenewal, please contact Dale Emerson, Consumer Services Unit, 217/785-5044 or e-mail him at dale_emerson@ins.state.il.us. ♦

Producer licenses to remain effective for military personnel

The current Administrative Rule regarding licensed individuals who are in the military service (50 IL Admin. 3110.10) provides for any person who notifies the Director that they have entered any of the military services of the United States and has an insurance producer license in force on the date of entering military service, shall continue in full force and effect without the requirements of filing the renewal application and without payment of any further license fee until the holder thereof is honorably discharged from military service.

In the case of reservists who had very little time to notify the department, and in an effort to support our troops, the Illinois Department of Insurance will allow licensed persons in the military or their power of attorney with a copy of their orders to renew or reinstate their license without payment of license fees or completion of their continuing education requirement for the duration of the war.

Persons affected by this rule should contact the Licensing Unit at 217/782-6366 for specific instructions and information. ♦

Flood insurance and FAIR Plan seminars scheduled

The National Flood Insurance Program and the Illinois FAIR Plan Association are offering seminars for Illinois insurance producers on the following dates. Individuals can earn seven (7) continuing education hours for enrolling in both courses.

Dates and Locations

Whittington, IL—June 9, 2003

Edwardsville, IL—June 10, 2003

Springfield, IL—June 11, 2003

Peoria, IL—June 12, 2003

Aurora, IL—June 17, 2003

Rockford, IL—June 18, 2003

For registration, agenda, or more information, contact the Professional Independent Insurance Agents of Illinois at 217/793-6660 or check their website at: www.piaai.org. ♦

Producer regulatory action

(Copies of regulatory orders are available upon written request to the Producer Regulatory Unit, for \$1/page. The number of pages are indicated in parentheses following the effective date.)

Revocation of Producer License

David C. Bova
506 South McGregor
Bloomington, IL 61701
Effective 02/21/03 (2)

Fred D. Bradac
9701 Raymond Drive
Belleville, IL 62223
Effective 01/21/03 (16)

Mark A. Giddens
1414 North Harlem
River Forest, IL 60305
Effective 2/03/03 (3)

Angela D. Rickabaugh
215 East 1st Street
O'Fallon, IL 62269
Effective 1/17/03 (11)

Stipulation and Consent Order-Civil Forfeiture Paid

Phillip F. Coelho
474 West James Way
Cary, IL 60013
Effective 2/07/03 (3)

Comprehensive Ins. Agency, LLC
3601 Algonquin Road, Suite 850
Rolling Meadows, IL 60008
Effective 2/06/03 (3)

Insure on the Spot
7142 West Belmont Avenue
Chicago, IL 60634
Effective 2/03/03 (5)

Michael G. Kariotis
3810 Timber Edge Drive
Glenview, IL 60025
Effective 2/03/03 (5)

Sheila D. Kelly
955 Tower Manor
Winnetka, IL 60093
Effective 1/03/03 (4)

Voluntary Revocation

Thomas A. Bush
Route 1, Box 103A
Grantsburg, IL 62943
Effective 1/10/03 (1)

Robert S. Carter
5 Revere Drive, #200
Northbrook, IL 60062
Effective 2/03/03 (1)

Pyramid Employer Services (ELC)
6251 44th Street, Suite 2
Pinellas Park, FL 33781
Effective 2/24/03 (2)

Suspension Lifted

Dewey E. Paccagnini
PO Box 350192
Elmwood Park, IL 60707
Effective 1/31/03 (1)

Vernore D. Miles
9968 South Beverly Boulevard
Chicago, IL 60643
Effective 2/04/03 (3)

Mark R. Moylan
8719 Harvest View Lane
Tinley Park, IL 60477
Effective 2/03/03 (3)

Scott L. Siepka
1501 Richmond Lane
Algonquin, IL 60102
Effective 2/06/03 (3)

Shannon J. Smith
2304 Wallace
North Chicago, IL 60064
Effective 1/15/03 (3)

Desmond A. Ware
2111 South 9th Avenue
Maywood, IL 60153
Effective 1/24/03 (3)

Suspension of Producer License

Marzette King
6413 South Rockwell
Chicago, IL 60629
Effective 1/02/03 (2)

Patrick L. O'Brien
825 East Roosevelt Road
Lombard, IL 60148
Effective 1/02/03 (2)

Denial of Producer License

Christopher E. Compean
85B Edison Court
Fox Lake, IL 60020
Effective 1/21/03 (3)

Michael T. Thompson
135 Southmayd Road
Waterbury, CT 06705
Effective 1/02/03 (2)

Theodore H. West
1566 Highland Avenue
Glendale Heights, IL 60139
Effective 1/10/03 (3)

Director's Order

Allen Durham
1946 North Sheridan Road
Peoria, IL 61604
Effective 2/28/03 (25)

Stipulation and Consent Order-Civil Forfeiture Not Paid

William C. Fields
11143 South Lowe Avenue
Chicago, IL 60628
Effective 1/14/03 (3) ♦

Hearings

Completed Hearings:

Thomas V. Conwell
Hearing No. 3991
Licensing authority revoked
3/12/03

Kate Doane
Country Mutual Insurance Co.
Hearing No. 4036
Cancellation of policy disallowed
2/21/03

Allen Durham
Hearing No. 3996
Order of Revocation rescinded
Civil forfeiture paid 2/28/03

Ronald Gruen
Farmers Insurance Company
Hearing No. 4038
Cancellation effective 3/20/03

Jay A. Jensen
Hearing No. 4024
Licensing authority revoked
2/28/03

Dennis A. Kelbus
Hearing No. 4007
Order of Revocation rescinded
Civil forfeiture paid 3/03/03

Gunter Maroscher
Prudential Financial Insurance Co.
Hearing No. 4039
Nonrenewal sustained 3/27/03

Zigmund Ruthowski
State Farm Insurance Company
Hearing No. 4037
Cancellation effective 2/04/03

Michael J. Weber
Hearing No. 3923
Previous Order of Revocation
rescinded
Civil Forfeiture paid 3/21/03

Scheduled Hearings:

Mark and Wendy Cercone
American Family Insurance
Group
Hearing No. 4041
Cancellation 4/08/03

Kimberly D. Denny
Hearing No. 4034
Denial of licensing authority
4/10/03

Freddie Douglas
State Farm Insurance Companies
Hearing No. 4042
Cancellation 4/09/03

Delbert Fellner
Hearing No. 4035
Suspension of licensing authority
4/07/03

Richard J. Morel
Hearing No. 4028
Denial of licensing authority
4/30/03

Donna Wright
Hearing No. 4040
Denial of request for license
4/22/03

Settled Without Hearing:

Cezary Swiergula
State Farm Mutual Auto. Ins. Co.
Hearing No. 4022
Dismissed 12/09/02 ♦

Company action

Market Conduct Fines

The following entities were issued a Stipulation and Consent Order and fined for Insurance Code violations and/or improper claims practices cited in an Illinois market conduct examination:

American Family Mutual, WI,
1/22/03; \$25,000

American Republic Insurance
Company, IA, 2/05/03; \$25,000

Health Alliance Medical Plans,
Inc., IL, 3/19/03; \$35,000

John Hancock Life Insurance
Company, MA, 10/03/02;
\$62,500

John Hancock Variable
Insurance Company, MA,
10/03/02; \$12,500

Lincoln National Life
Insurance Company, IN,
1/30/03; \$5,000

Unique Insurance Company,
IL, 3/26/03; \$10,000

United Healthcare of Illinois,
IL, 3/13/03; \$200,000 ♦

Exam reports filed

Financial

American Fuji Fire and Marine
Insurance Company
3/17/03
American Slovenian Catholic
Union (K.S.K.J.)
3/28/03
Associated General Contractors
of Illinois Risk Management
Group
3/17/03
Banner Mutual Insurance Co.
3/06/03
BCI HMO, Inc.
3/17/03
Country Investors Life
Assurance Company
2/21/03
Country Life Insurance Company
2/21/03
Country Medical Plans, Inc.
2/21/03
Financial Benefits Insurance Co.
3/06/03
GE Reinsurance Corporation
1/30/03
Green Garden Mutual Ins. Co.
3/18/03
Harvel Mutual Insurance Co.
2/20/03

Health Care Service Corporation,
A Mutual Legal Reserve Company
3/17/03
Jo Daviess-Stronghurst Mutual
Insurance Company
3/06/03
Mazon Mutual County Insurance
Company, now known as Mazon
Mutual Insurance Company
2/20/03
Reinsurance Company of
America, Inc.
3/06/03
Svea Mutual Insurance Company
3/06/03
Ullin Mutual County Fire Ins. Co.
3/06/03
Union Fidelity Life Insurance Co.
3/28/03
United Healthcare Insurance
Company of Illinois
2/03/03
United HealthCare of Illinois, Inc.
2/03/03
Watseka Mutual Insurance Co.,
The
3/04/03

Market Conduct

Property Claim Consultants
(Public Adjuster)
1/28/03
Lincoln National Life Ins. Co.
1/30/03
American Republic Ins. Co.
2/05/03
Garden State Life Insurance Co.
2/24/03
Central Mutual Insurance Co.
3/03/03
United Healthcare of Illinois
3/13/03
Unitrin Direct Insurance Co.
3/19/03
Health Alliance Medical Plans,
Inc.
3/19/03
Unique Insurance Company
3/26/03 ♦

Illinois Department of Insurance
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